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UNCLAS ASUNCION 000844

SIPDIS

STATE FOR WHA/BSC AND EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR SCRININ AND LYANG  
NSC FOR KIM BREIER  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [EFIN](#) [MASS](#) [SNAR](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, JUNE  
25-JULY 1

[11.](#) (U) Summary

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-- Protest on behalf of Former Army General  
-- Drug Busts Give Hope  
-- Senate Grants Entry of US Troops  
-- Peasants Killed in Land Dispute  
-- Revival of Privatization Law Halted

Protest on behalf of Former Army General

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[12.](#) (U) Thousands of protesters rallied on June 28 in support of former Paraguayan Army General Lino Oviedo. The protest marked the first anniversary of Oviedo's return to Paraguay after five years in Brazil. Oviedo is serving a 10-year prison sentence for a conviction on charges of leading an attempted coup in 1996. The demonstrators, organized by the National Union of Ethical Citizens (UNACE), were demanding Oviedo's release from prison and urging authorities to drop their investigation of Oviedo's alleged role in the 1999 assassination of former Vice President Luis Argana.

Drug Busts Offer Hope

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[13.](#) (U) The National Anti-drug Secretariat (SENAD) had three separate seizures at check-points last week. INL-funded dogs from the SENAD Canine Unit successfully uncovered 726 grams of cocaine in the city of Mariscal Estigarribia, and a total of 55,840 kilograms of marihuana in two unconnected seizures in Ciudad del Este. SENAD agents arrested four individuals.

Senate Grants Entry of US Troops

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[14.](#) (U) On June 28, the Senate granted permission for 13 US military units to enter Paraguay for joint military exercises from July 2005 until September 2006. The motion passed with 27 votes in favor, six against, and two abstentions. This is the first time the Senate passed multiple permissions to enter; they were previously done individually. Embassy sought immunities and entry permission (separate steps) for 13 exercises over 18 months to limit the possibility of a new, leftist Senate leader blocking them. Several Senators argued for a clause affirming Paraguay would honor its obligations to the Rome Treaty in connection to immunities for U.S. participants. In comments to the press, FM Rachid said that the MFA is prepared to consider developing language that addresses Congressional sensitivities on this issue in future.

Peasants Killed in Land Dispute

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[15.](#) (U) On June 24, on orders of a local prosecutor, police evicted and arrested a number of peasants from a property claimed by Brazilian settler Ademar Aloisio Lotterman in Tekojoja, Caaguazu Department. When Lotterman returned to the property accompanied by several workers, a confrontation with peasants still in the vicinity ensued resulting in the shooting death of two peasants. There are conflicting claims to the land and versions of events. Lotterman and several of his employees have been arrested on murder charges as part of the investigation underway. The VP alleges that the lands were illegally transferred to the Brazilian settlers.

Revival of Privatization Law Halted

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[16.](#) (U) On June 30, the Chamber of Deputies unanimously rejected a bill passed in May by the Senate that would have reactivated a 2002 privatization law. The renewed prospect of privatization generated a wave of protests by campesino groups and unions. President Duarte announced that he was against the law. An opposition deputy, whose party had supported the law in the Senate, said his party's deputies would oppose it based on their belief that the process would be manipulated for the purposes of illicit enrichment. Reform of the state-owned enterprises may go forward, however. President Duarte has said he favors reform of the enterprises to increase their efficiency, quite possibly with as yet undefined private sector participation, and there is

speculation in the press that a revised law will be introduced in the near future.

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